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C O N F I D E N T I A L SECTION 01 OF 05 NEW DELHI 000663

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DOE FOR A/S KAREN HARBERT AND TOM CUTLER, DOS FOR EEB DAS
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SUBJECT: MUKHERJEE TREADS CAREFULLY IN IRAN, BUT
CONTRADICTIONS REMAIN

REF: A. STATE 14071
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 [C.](#) 2005 NEW DELHI 6877
 [D.](#) ISLAMABAD 543

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Classified By: DCM Geoffrey Pyatt for Reasons 1.4 (B,D)

[¶1.](#) (C) SUMMARY: Indian Foreign Minister Mukherjee tried to steer clear of controversy in a February 6-7 visit to Tehran, according to MEA Joint Secretary Dilip Sinha. Emphasizing that the International Atomic Energy Agency (IAEA) must play a central role, and that the nuclear issue must be resolved peacefully through dialogue and negotiation, Mukherjee generated some positive press in India, appearing to play the role of peace advocate in his domestic constituency. Sinha told PolCouns the Iranians questioned Mukherjee on a reference to Iran in the U.S.-India civil-nuclear legislation (Hyde Act). The Iranians indicated a willingness to

reprocess Iran's spent fuel outside of Iran, via a "consortium of countries," according to Sinha. On the proposed Iran-Pakistan-India (IPI) pipeline deal, Sinha indicated that Iran must first implement the promised deal to supply liquefied natural gas (LNG). Mukherjee held no concrete negotiations on the gas deal according to Sinha, but negotiations continue in Pakistan. Responding to points PolCouns made regarding UNSCR 1737 (ref a), Sinha indicated that it was India's understanding that the resolution did not preclude energy cooperation. Mukherjee used the visit to emphasize the importance of regional stability in the Middle East, especially as it relates to energy security for India, but the visit did not produce any dramatic changes in the Indo-Iranian relationship, nor did it produce any concrete deliverables. India largely did what it promised us it would do by steering clear of trouble in Tehran. END SUMMARY.

The Nuclear Issue: Mukherjee Steers Clear of Controversy

¶2. (C) MEA Pakistan, Afghanistan and Iran Joint Secretary Dilip Sinha, who was part of Foreign Minister Mukherjee's delegation to Tehran on February 6 and 7, told PolCouns February 9 that Mukherjee had emphasized to Iran that it should honor its commitments on the nuclear issue and cooperate fully with the International Atomic Energy Agency (IAEA). Mukherjee underlined that India wants nothing that promotes instability in the region, and that the energy security of India depends upon peace among Iran and its neighbors. India is also dependent upon transit through Iran to Afghanistan, so Iranian cooperation there is important as well, Sinha emphasized. Sinha's read-out of the nuclear discussion echoes Mukherjee's opening statement at a joint

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press conference with Iranian Foreign Minister Mottaki February 7 (transcript e-mailed to the India desk). "The Iranian nuclear issue should be resolved peacefully and through dialogue and negotiation," asserted Mukherjee, navigating the Indian domestic politics by stating, "The IAEA should play a central role in resolving the outstanding issues," and calling for a "demonstration of restraint and flexibility by all sides."

¶3. (C) The Iranians mentioned the reference to Iran in U.S. legislation on the civil-nuclear agreement, according to Sinha, who underlined that India had responded that the civil-nuclear agreement is an internal Indian matter. "We told them we treat our two relationships as separate," he said.

Tehran Willing to Consider a "Consortium of Countries"

¶4. (C) Iran is eager to enter into dialogue with the international community, according to Sinha, who indicated that Iranian national security chief and chief nuclear negotiator, Ali Larijani, was looking forward to talking with EU foreign policy chief Javier Solana at a security conference in Munich February 9-11. PolCouns underlined that the U.S. had offered to talk directly to Iran last June, thereby opening the door for negotiation, but that Iran had refused to walk through it. Rather than accept the Russian offer to reprocess Iran's spent fuel outside the country, "Iran is willing to look at the idea of a consortium of countries" to carry out reprocessing activities, Sinha offered. Regarding negotiations, he added, "Iran will not accept suspension as a pre-condition for talks, but they will, however, accept suspension as an outcome of talks." Sinha did not indicate how the Indians responded to the contradiction between this formulation and UNSCR 1737.

The Iran-Pakistan-India Pipeline and UNSCR 1737

¶5. (C) PolCouns conveyed to Sinha the concerns of the USG

(ref B) about negotiations by India's Ministry of Petroleum and Natural Gas (MPNG) and the Government of Pakistan with Iran for a proposed 2,600 kilometer Iran-Pakistan-India (IPI) natural gas pipeline from Iran's Southern Pars Field. He noted that the USG and the U.S. Congress have been watching developments closely - in particular, recent press reports and reported quotes from MPNG Minister Deora hinting at progress in resolving the pricing issue and potential for the signing of an agreement. PolCouns made clear that, although UNSC 1737 does not mention oil and gas, the USG believes that

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the signing of such an agreement would send the wrong signal to Iran that "business as usual" could continue without resolution of the nuclear issue. PolCouns also delivered (reftel a) points. Sinha responded that his understanding was that UNSCR 1737 did not preclude energy cooperation, noting that the GOI had found that they had nothing to terminate in terms of the resolution, because India's relationship with Iran in the area of dual use technology had been practically non-existent. On the nuclear issue, he assured us, "we have our own strong views on the importance of non-proliferation of WMD. We made this clear by our votes (in the IAEA) in September 2005 and February 2006." Yet, India's relationship to Iran, historically close and traditional, "is a delicate, important relationship," Sinha added.

¶6. (C) Sinha expressed that the earlier gas deal, where Iran would supply India with LNG, had to come to fruition first (ref C). "How can we trust Iran on the IPI if there is no implementation of the LNG deal?" he questioned, noting that he thought the Iranians had refused to implement the deal, finalized in 2005, as punishment for India voting against Iran in the IAEA in September 2005. Sinha signaled that, though pricing is an issue on the IPI proposal, there are other difficulties as well, security in Baluchistan being the main issue. He said that India is currently examining the pricing formula recently submitted by Pakistan and accepted by Iran, adding that talks are continuing in Pakistan with India on the pricing issue. "We will have to see if price is affordable," he remarked, adding, "once that is settled, there are other issues to consider, such as the structure of the company, who will finance it, and whether or not Iran actually has enough gas resources to supply India."

¶7. (C) India and Iran also discussed a Bilateral Investment Protection and Promotion Agreement and a Double Taxation Avoidance Agreement. No agreements were signed during the visit, however, according to Mukherjee's opening statement. Former Indian Ambassador to Iran, Hamid Ansari, told PolCouns February 8 that discussion of technicalities regarding energy supplies would involve a separate, technical-level exercise. "There isn't much of an economic relationship between India and Iran, and that's likely to remain the case," Ansari maintained. Indian expert on the Middle-East, Dr. P.R. Kumaraswamy, observed in a February 8 meeting with PolOff that, talks on the IPI will go on, but it won't be implemented "until the U.S.-Iran relationship improves."

Regional Stabilization of Primary Importance to India

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¶8. (C) India would like to see a "stable, peaceful, prosperous, united and democratic Iraq," according to Mukherjee's statement. Ambassador Ansari commented that the India's relationship with Iran is a multi-dimensional "next door relationship" "We have to take a realistic approach," warned the Ambassador, adding, "Iran is on the other side of Pakistan and next to Afghanistan, and whatever happens in those countries affects Iran, too."

The Indian Press Positive on India's Role as Negotiator

¶9. (U) Indian press coverage in India was heavy, and focused mostly on Mukherjee's statements related to Iran's nuclear program which favored dialogue and opposed any "military" solution. "The Hindu" took special note of the fact that FM Mottaki began referring to the IPI as the "peace pipeline," while Mukherjee "stuck to the formal nomenclature." Mottaki generated some press by supposedly surprising Mukherjee's delegation with a proposal of trilateral summit with Pakistan to discuss the pipeline. Some newspapers were fixated on an earlier statement from Ambassador Mulford that the U.S. would "watch with interest" Mukherjee's Tehran visit. Communist Party of India (CPI-M) officials criticized the Ambassador's carefully nuanced statement as unacceptable interference in India's affairs.

No Dramatic Changes for Indo-Iranian Relations

¶10. (C) "No dramatic changes in the Indo-Iranian relationship have occurred as a result of this visit, nor are they likely to occur in the near term," mused Ambassador Ansari, adding that, while the visit had gone off "modestly well," it was "no cause for euphoria." The visit was called for, and its purpose was achieved, opined the Ambassador. Indrani Bagchi, diplomatic correspondent of "The Times of India," who accompanied the Minister to Tehran, told us that Mukherjee had been very careful not to make news, preferring to stick closely to his script.

Comment - No Concrete Deliverables

¶11. (C) Mukherjee managed to avoid making any major nuclear gaffes in this visit, sticking to a careful script that encouraged negotiation and a healthy respect for the IAEA. Iran sold India hard on the "consortium of countries" concept. It is clear that India does not view the IPI as constrained by UNSCR 1737, although Sinha's reaffirmation of the major economic obstacles is helpful. Overall,

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Mukherjee's visit was mainly an exercise in "relationship maintenance," not having achieved any concrete deliverables or signing of any agreements. It did, however, send reassuring signals to the vitally important Muslim vote bloc ahead of elections in the state of Uttar Pradesh that India will maintain an "independent" foreign policy. END COMMENT.

MULFORD